

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF RAMSEY

SECOND JUDICIAL DISTRICT

Minnesota Equal Access Network
Systems, Inc., a Minnesota
corporation, and Minnesota
Telephone Association, Inc., a
Minnesota corporation,

Court File No: C8-98-5736

Plaintiffs,

v.

State of Minnesota, by James
Denn, Commissioner of the
Minnesota Department of
Transportation, and Elaine
Hansen, Commissioner of the
Minnesota Department of
Administration,

Defendants,

and

ICS/UCN LLC, A Colorado limited
liability company,

Defendant-Intervenor.

FINDINGS OF FACT / CONCLUSIONS OF LAW / ORDER

This matter was heard by the Honorable Kathleen Gearin, District Court Judge, the dates of February 8-10, 1999 and February 16, 1999. After receipt of written arguments and memorandums from all parties, the matter was taken under advisement.

Based on the submissions of the parties, entire record, and the arguments of counsel, the Court makes the following:

FINDINGS OF FACT:

1. The parties to the action are:
 - a. Plaintiff, Minnesota Equal Access Network Services, Inc. (MEANS), is a Minnesota corporation with its principal place of business at 10300 Sixth Avenue North, Plymouth, Minnesota, 55441. All of MEANS' shareholder are corporations or cooperatives that provide telecommunications services within the State of Minnesota. MEANS, through its subsidiaries, provides both wholesale and retail telecommunications services within and between communities throughout Minnesota, including communities located along the freeway rights-of-way in Minnesota (ROWs).
 - b. Plaintiff, Minnesota Telephone Association, Incorporated (MTA), is a Minnesota corporation with its principal place of business at 1650 Minnesota World Trade Center, 30 East Seventh Street, Saint Paul, Minnesota, 55101. The members of MTA provide both wholesale and retail telecommunications services within and between communities throughout Minnesota, including communities located along the freeway ROWs. All of MTA's members belong to MEANS.
 - c. Defendant Elwyn Tinklenberg (Tinklenberg) is the Commissioner of Transportation for the State of Minnesota. Defendant Tinklenberg is responsible for the operation of the Minnesota Department of Transportation (MnDOT) and for the performance by MnDOT of its statutory duties as set forth in M. S. § 161B. *et seq.* During the pendency of this action, Defendant Tinklenberg succeeded former of MnDOT Commission James Denn and was substituted as a named defendant by Stipulation of the Parties.
 - d. Defendant David Fisher (Fisher) is the Commissioner of Administration for the State of Minnesota. Defendant Fisher is responsible for the operation of the Minnesota Department of Administration (MnDOA) and for the performance by MnDOA of its statutory duties as set forth in M. S. § 16B. *et seq.* During the pendency of this action, Defendant Fisher succeeded former MnDOA Commissioner Elaine Hansen and was substituted as a named defendant by Stipulation of the Parties.
 - e. Defendant-Intervenor ICS/UCN, LLC (ICS/UCN) is a Colorado limited liability company with its principal place of business at Denver, Colorado. ICS/UCN was formed in May of 1996 for the purpose of negotiating an agreement with the State of Minnesota to implement a proposal submitted by one of ICS/UCN's partners (International Communications Services, Inc.) and two other companies to install the fiber optic network within the freeway and other trunk highway ROWs. ICS/UCN and another company, Stone and Webster Engineering, Inc. (S&W)

eventually signed the Agreement that is the subject of this litigation. S&W, which is not a party, later assigned its interest in the Agreement to another entity, LMAC, LLC, which also is not a party to this litigation.

2. Trial was held before the Court over five days, with 12 witnesses testifying and over 100 exhibits received. Thomas R. Sheran, Esq., and Richard J. Johnson, Esq., Moss & Barnett, 4800 Norwest Center, 90 South Seventh Street, Minneapolis, Minnesota, appeared for plaintiffs. Donald J. Mueting, Esq., and Gregory P. Huwe, Esq., Assistant Attorneys General, 525 Park Street, Suite 200, St. Paul, Minnesota, appeared for defendants. Daniel J. Connolly, Esq., and Eric E. Jorstad, Esq., Fagre & Benson LLP, 2200 Norwest Center, 90 South Seventh Street, Minneapolis, Minnesota, appeared for intervenor.

3. Freeways are highways characterized by four or more lanes separated by a median, restricted access from adjoining properties, no at-grade intersections, no traffic signals, geometrics accommodating higher speed travel, and little or no alternative use for accommodation of utilities. They were designed and built to preserve safety for the traveling public. Safety was a primary reason for the original decision to remove and restrict utilities on interstate highways. The terms "freeways" and "interstate" are used interchangeably.

4. The plaintiff challenges the State's agreement with ICS/USN regarding the development, operation, and maintenance of a fiber optic network using trunk highway and freeway ROWs. This agreement is commonly referred to as the "Connecting Minnesota" agreement. The following is the regulatory history of utility usage of ROWs leading to the Connecting Minnesota Agreement:

- a. In 1959, the Minnesota legislature enacted Laws, Chapter 500, Article II, Section 45 (now codified at M. S. § 161.45), which permits the placement of utility lines within the State Trunk Highway ROWs. "Trunk Highways" include all roads

established or to be established under the provision of Article XVI, Section 2 of the Minnesota Constitution which are under the jurisdiction of the Commissioner of MnDOT.

- b. The Commissioner of Transportation is vested with considerable authority over the state's Trunk Highway system. "The commissioner shall carry out the provisions of Article 14, section 2 [creating, improving, and operating the trunk highway system] of the constitution of the state of Minnesota." Minn. Stat. §161.20 subd. 1 (1998). Further, "The commissioner is authorized by law . . . to locate, reconstruct, improve, and maintain the trunk highway system; . . . and in carrying out duties, to let necessary contracts in the manner prescribed by law." Minn. Stat. §161.20 subd. 2 (1998).
- c. MnDOT's Commissioner adopted and promulgated, effective August 1, 1961, MnDOT's "Rules and Regulations" for the installation and maintenance of utility lines within Trunk Highway ROWs (Ex. 61 at p. 16). These "Rules and Regulations" were incorporated without modification in Minnesota Rules, Parts 8810.3100 et seq. effective July 31, 1983.
- d. MnDOT's ROW Rule generally allows the installation of utility lines longitudinally within "non-interstate" Trunk Highway ROWs defined as "all trunk highways which are not part of the interstate system." These rules were established during the time period that the Federal Highway Administration (FHWA) prohibited the installation of utility lines within Interstate ROWs.
- e. In 1989, the FHWA changed this policy. Before that, State access to interstate highways for longitudinal installation of fiber optic or other utilities was restricted. State trunk highways and other public roads by state law have been relatively open to utilities, since they were built. Longitudinal access to interstate highways was allowed only in hardship situations. A hardship situation arises when the alternative is extremely difficult and unreasonably costly to the utility consumer. Minn. Stat. Sec. 161.45 and Minn. Rule 8810.3300 subp. 4. Other than freeway crossings which are routinely permitted, MnDOT has only authorized longitudinal use of freeway right of way for utilities in three or four instances in the past. Freeways in Minnesota are therefore virtually free of utilities.
- f. The FHWA changed its policy in 1989 and granted to states the right to allow longitudinal installations of fiber optic cable and other utilities along interstate highways. The FHWA required that any changes or proposed changes by states be incorporated into a written policy which each state was required to submit for federal approval.

- g. After the USDOT policy change, each state was required to submit to the FHWA its respective policy on granting utility access to freeways. On or about July, 1990, MnDOT did so and that policy was approved. Both before and after 1990, there have been very few instances where utilities were permitted longitudinally on Minnesota's freeway ROW. Beginning in 1995, the USDOT through its Federal Highway Administration (FHWA) has provided information, guidance, and encouragement to state transportation agencies on allowing fiber optic facilities on interstate highway ROWs under a variety of scenarios. The federal government refers to fiber optics projects which involve a barter of access in return for telecommunications services as "shared resource" projects.
 - h. In 1993, the Minnesota Legislature adopted an amendment to Minn. Stat. Sec. 174.02 adding subdivision 6 which authorized the Commissioner of Transportation to enter into public-private partnerships for sharing facilities to promote economic and technological development within and between governmental and non-governmental entities.
 - I. A 1995 amendment to Minn. Stat. Sec. 174.02 directed the Commissioner of Transportation to prevent unnecessary spending of public money, to use innovative practices to manage the state's resources, and to coordinate MnDOT's activities with those of other agencies. This amendment expanded the authority of MnDOT to enter into agreements beyond just transportation-related services.
5. In 1995, the American Association of Highway Transportation Officials (AASHTO) developed a revised policy regarding the installation of fiber optic lines within interstate ROWs. It approved such installations. The Federal Highway Administration (FHWA) then began to assist state departments of transportation in use of ROWs to meet their telecommunication needs, including the need for "intelligent transport systems." These efforts and use of ROWs by private entities are generally known as "shared resource" projects. M.S. 174.02 encourages the state departments of transportation to implement such projects.
6. Use of interstate ROWs for installation of fiber optics was approved by AASHTO because of significant differences between the safety implications of fiber optic facilities and other utilities. As noted by AASHTO, these differences include the ability to install fiber optics

with minimal disturbance of existing traffic and infrequent maintenance needs.

7. MnDOT's director of Alternative Transportation Financing, Mr. Adeel Lari, was familiar with the 1995 AASHTO policy change favoring installation of fiber optic lines with interstate ROWs. During 1995, he reviewed and commented on drafts of the FHWA shared resources publications. Mr. Lari also gathered information regarding the development of shared resource projects in other states.

8. At various times since 1974, MnDOT has contracted with private construction companies to have its own telecommunication lines (including fiber optic and coaxial cable) installed longitudinally within metro area freeway ROWs in order to operate MnDOT's Traffic Management System (TMS).

9. This TMS is also used to transmit traffic information to private radio and TV companies and to a private traffic reporting company.

10. The MnDOA is responsible for the creation, operation, and maintenance of a statewide telecommunication network. Minn. Stat. §16B.46 and .465 (1998). The Commissioner "has the responsibility for planning, development, and operations of MNet in order to provide cost effective telecommunications transmission services to MNet users." Minn. Stat. §16B.465, subd. 1 (1998).

11. To carry out its duties, MnDOA's Office of Intertechnology provides telecommunications systems to a variety of governmental entities throughout the state through a network of twelve hubs linked through lines leased from MCI and in part on the MEANS network to a central location in St. Paul. The leased lines make up the State's telecommunications "backbone". Each of the hubs is further linked to communities in each

county in Minnesota. The entire system has been variously known as "STARS," "MNET," and the "State's Network."

12. The legislature authorized the Commissioner of Administration to enter into agreements beyond the normal five-year term limit. Minn. Stat. §16B.465, subd. 7 (1998).

13. The legislature again encouraged the joint exercise of agency powers such as the one involved in this suit between MnDOT and MnDOA by enacting the following:

Subdivision 1. Two or more governmental units, by agreement entered into through action of their governing bodies, may jointly or cooperatively exercise any power common to the contracting parties or any similar powers, including those which are the same except for the territorial limits within which they may be exercised. The agreement may provide for the exercise of such powers by one or more of the participating governmental units on behalf of the other participating units.

Subdivision 10. Notwithstanding the provisions of subdivision 1 requiring commonality of powers between parties to any agreement, the governing body of any governmental unit . . . may enter into agreements with any other governmental unit to perform on behalf of that unit any service or function which the governmental unit providing the service or function is authorized to provide for itself.

Minn. Stat. § 471.59 (1998).

14. This statute authorizes agencies to share common powers and non-common powers. The statute encourages agencies to combine their separate powers for the good of the agencies and the constituencies which they serve.

15. In December of 1995, Mr. Lari presented to the MnDOT Commissioner as well as the MnDOA Commissioner a proposal to "leverage" the freeway ROW "in return for getting some capacity." The proposal would mean that the State would become part of a shared resource project.

16. After presenting the idea to the MnDOT and MnDOA Commissioners, Mr. Lari prepared draft Requests for Proposals (RFP) which he circulated for comment to industry representatives and others in January 1996. MnDOT's "final" RFP (Ex. 2 and 212) was published by MnDOT on February 20, 1996.

17. The final RFP seeks proposals that would not only "[p]rovide MnDOT with communication capacity for the future;" but would also "provide communications access to other governmental entity locations throughout the State," and "... provide all geographic areas of the State with fiber optic access to maintain economic vitality and to provide communications throughout the State." (Ex. 2, p. 2).

18. The RFP expressed MnDOT's intent to offer exclusive access to the interstate ROWs for installation of a private commercial fiber optic network in exchange for "free" access to the Network by both MnDOT and other State agencies.

19. The specific Goals and Objectives mentioned in MnDOT's RFPs were:

- a. to develop a public-private partnership venture with communications infrastructure providers and operators to exclusively enter, install and develop communications primarily within state freeway right of way, in exchange for providing operational communications capacity to the state;
- b. to construct and maintain a communication network for much of the area of the state as possible;
- c. to provide MnDOT with communication capacity for the future;
- d. to provide communications access to other government entity locations throughout the state;
- e. to provide the successful bidder exclusive rights to MnDOT freeway right-of-way for commercial communication infrastructure purposes;
- f. MnDOT wishes to barter exclusive rights to freeway right-of-way

in exchange for capacity to satisfy immediate and future state needs.

20. In turn, MnDOT offered in its RFPs to:

- a. provide long-term access to certain MnDOT right of way including the exclusive access for communications infrastructure purposes, to the 1000 miles of freeway, both linear and spot location throughout the state;
- b. consider providing exclusive use of its freeway right of way to the successful proposer. No other private use fiber optic lines would be permitted on the freeways other than the system that now exists along I-94 between St. Cloud and Maple Grove.

21. A workshop was held by MnDOT on December 13, 1995 where MnDOT publicly discussed its intention to offer exclusive access to its freeway ROW in exchange for fiber optic telecommunication services. MnDOT personnel and private parties attended the workshop. A draft RFP was created and circulated by MnDOT on January 3, 1996 to public and private parties, including the FHWA and representatives of the plaintiffs. Responses and suggestions were requested from the recipients. A second draft RFP was circulated to an even wider audience of public and private parties including plaintiffs on January 29, 1996.

22. On February 21, 1996, MnDOT publicly issued the final RFP. It formally published notice of it in the State Register on February 20, 1996. Following the issuance of the RFP, MnDOT held a preproposal meeting on March 21, 1996 to provide interested parties an opportunity to ask questions and seek additional information or clarifications. A follow-up mailing of answers to particular questions about the project was distributed on March 26, 1996. This mailing emphasized that the State's primary objective was to obtain a statewide telecommunications network.

23. Each of the drafts as well as the final RFP made it clear that the State was seeking

a public-private partnership with communications infrastructure providers and operators to install and develop communications systems using the state's freeway ROW in exchange for providing to the State operational communications capacity. Exclusive access to the freeway has been the incentive offered by the State from the inception of the project.

24. On or about April 26, 1996, four proposals responding to the RFP were submitted to MnDOT by several interested parties, including MEANS and International Communication Services, Inc. (ICS). ICS's interest in the project was later assumed by Intervenor ICS/UCN (a newly formed partnership).

25. The proposals were reviewed by an evaluation team made up of people from throughout MnDOT, MnDOA, and from the FHWA. The team was assisted by two additional panels: one dealing with technical issues and the other with administrative issues. At least one of the members of the review team had supervisory responsibility for issuance of utility permits. The evaluation team also interviewed representatives of all proposers.

26. On or about August 14, 1996, MnDOT and MnDOA selected ICS/UCN's proposal. This proposal was recommended by the team and approved by the Commissioners of the DOA and DOT and by Governor Carlson. This telecommunications infrastructure project was given the name "Connecting Minnesota".

27. An attorney for MTA formally objected in writing to MnDOT counsel on August 22, 1996 that the grant of exclusive access to interstate ROWs was violative of federal law. They did not question the legality of the process before that.

28. On September 9, 1996, and again on September 16, 1996, the MTA lobbyist, Mr. Knickerbocker, and MTA President, Mr. Nowick, met respectively with MnDOT Commissioner

Denn and his staff and with MnDOA Commissioner Hansen and her staff to dissuade them from going forward with Connecting Minnesota as advertised in the RFP.

29. On September 4, 1996, MnDOT and MnDOA signed an intergovernmental partnership agreement captioned: "Memorandum of Agreement/Minnesota Communications Infrastructure" (Partnership Agreement). (Ex. 3).

30. The final written agreement between the State and ICS/UCN (Ex. 1) was signed on December 23, 1997 (the Agreement).

31. An amendment to the Omnibus Appropriations Bill was introduced (Ex. 79; see also Ex. 267; Ex. 261, p. 3) which would have deferred implementation of the contract until the public policy issues raised by the Agreement had been addressed by appropriate legislative committees. It failed to pass.

32. By letter dated March 12, 1998, Governor Carlson threatened to veto the appropriations bill if it included the amendment deferring implementation to allow for legislative oversight.

33. The announcement of the Agreement resulted in a number of articles and editorials about Connecting Minnesota throughout the state in January 1998.

34. The Agreement provided to ICS the right and the obligation to construct a fiber optic network on approximately 2000 miles of MnDOT's highway ROW. In return, ICS is obligated to install and maintain at least 48 strands of fiber in three interconnected rings serving the northern and southern parts of Minnesota and the Twin Cities metropolitan area. Ten of the dark fibers will be owned by the State for whatever governmental uses it chooses. The State is also entitled to 20% of the lit capacity of whatever fiber that ICS lit. ICS is obliged to light at

least two fibers.

35. ICS is also obliged to give the State the opportunity to connect to the network at various intervals along the trunk highway ROWs. ICS is further obliged to provide up to \$5 million in services and equipment to interconnect its equipment with the State's existing equipment.

36. In return for the telecommunications services and facilities from ICS, the State agreed to grant ICS exclusive access to approximately 1000 miles of freeway for installation of its fiber optic network as well as the fiber optic cable of anyone else wishing to use the freeway ROW.

37. On non-freeway ROW, there is no exclusivity and any other utility is entitled to use it for installation and operation of their fiber optic lines.

38. The period of exclusivity is ten years. ICS also has an option to negotiate for another ten years of exclusive access but there is no contractual entitlement to such extended exclusivity. For the final ten years of the 30-year contract, there is no right of exclusivity. At the end of the contract term, all fiber optic cable and associated equipment on the State's ROW will then become the property of the State.

39. The Agreement authorizes ICS to be a wholesaler of fiber optic capacity to telecommunications companies or to anyone else interested in using ICS's fiber. It is also authorized to sell dark fiber to anyone else. It is obliged to provide access to lit fiber and also to sell its dark fiber on a competitively neutral and nondiscriminatory basis. ICS cannot grant anyone a favored status or preferred access that it does not provide to any other entity which is similarly situated. In addition, ICS must install fiber optic cable for any other party, including

competitors, at the time it opens the trench for its own installation.

40. The Agreement allows ICS a single opportunity to open a trench for installation of its own fiber as well as the fiber of any other entity. If maintenance of the line is required during the term of the Agreement, ICS is responsible for such maintenance.

41. The Agreement allows the State to terminate the Agreement at will for public convenience. It provides remedies for either party in the event of termination. It also provides that if any constitutional or legislative provision or a regulation is enacted during the term of the Agreement which impairs ICS's rights, ICS can terminate the Agreement and would be entitled to claim damages. The damages increase as the project construction continues. An amendment to the Agreement was granted to ICS on October 19, 1998. That Amendment allowed ICS and its new construction partner LMAC, LLC to proceed on the first phase of the project without meeting all of the conditions precedent set forth in the Amendment. The first phase of the project involved installation of fiber optic cable along I-90 between Moorhead and St. Cloud. Construction commenced on that portion on or about October 19, 1998 with the installation of two 2-inch conduits through one of which ICS will place 192 strand fiber optic cable. The second conduit is available for a collocator's cable.

42. The restriction imposed on utilities seeking to install their utilities longitudinally along freeways has never been applied to utilities installed for, by, or at the direction of MnDOT. The network of fiber optic cable along freeway ROWs in the Twin City area connecting its ramp meter controls and camera with the MnDOT Traffic Management Center in Minneapolis was installed without applying for or meeting any of the requirements of Minn. Rule 8810.3300. MnDOT has also routinely used freeway ROW for installation of electrical, telecommunications,

and other utilities which it needed or wanted.

43. The director of the MnDOT office that issues utility permits neither reviews nor seeks to enforce any restrictions on use of freeway ROW for utility installations which are part of MnDOT projects. He has never applied Minn. Rule 8810.3300 subp. 4 to restrict MnDOT in any way in its use of its own ROW.

44. MnDOT's intelligent transportation systems relies heavily on the presence of fiber optic cable along trunk highway network. The anticipated deployment by MnDOT of projects such as the road weather information system, traveler information system, integrated corridor traffic management system, and incident management system are a few of the projects which will utilize fiber optic technology that must be in place on the roadway ROW. In addition, MnDOT can use the network to provide voice, data, and video transmission among its statewide system of district and maintenance offices.

45. The demand for fiber optic cable is rising rapidly. The State needs more fiber optic networks to bring high speed, broadband capacity to many areas of the state where it is not now available or accessible. The benefits of this technology will enhance telecommunications services to schools, agencies, courthouses, and other public entities. These benefits will be made available for the private sector in the dark and lit fiber that ICS will install and market to telecommunication service providers.

46. MnDOT, MnDOA, and ICS believe that the Agreement provides the best way for Minnesota to develop such a network. The plaintiff believes that the exclusivity in the Agreement will stifle Minnesota's development. The Court is concerned only with the issue of whether the Agreement is legal, not with whether it is the best one that the State could have

made.

47. Connecting Minnesota provides ICS with a ten-year guarantee of limited exclusivity to the freeway for approximately half of its network. ICS must share the freeway with any other collocating companies that agree to have ICS install fiber for it at the time that ICS places its fiber in the freeway. ICS must provide competitively neutral and nondiscriminatory access to both its lit and its dark fiber.

48. Alternative routes for installation of fiber optic cable in Minnesota abound. Corridors used by railroads, pipelines, overhead telephone and electrical lines, non-freeway trunk highways, county roads, and municipal streets are all commonly available to telecommunications companies. Freeway ROWs are a prized route by private companies because of their advantages. They directly connect major population areas and are relatively easy to maintain.

49. ICS was awarded the freeway ROW access benefits after winning a publicly announced, open, and competitive process in which plaintiff MEANS participated.

50. During 1996, 1997, and 1998, Mr. Lari and Mr. Schnellman continued to communicate with various interested legislators about the project including Representative Jennings, Senator Kelly, and Senator Novak, as well as staff members of other legislators. These meetings were intended to keep the legislature informed about the project and to answer questions that they might have about the project. Representatives of MnDOA and MnDOT testified in legislative hearings in 1997 and 1998 about the Connecting Minnesota project.

51. During the 1997 legislative session, legislation supported by the plaintiff MTA was introduced and discussed which would have precluded MnDOA from procuring telecommunications services for its legislatively mandated network under Minn. Stat. § 16B.465

except by "lease". During the 1998 legislative session, MTA lobbied for legislative proposals that would have required legislative review of and comment on the Agreement before it could be implemented. These legislative proposals were introduced and considered but did not pass.

52. Opponents of the Connecting Minnesota project and critics of the Agreement, including MEANS and MTA and their respective members, have had ample opportunity to oppose the Agreement. They have done so unsuccessfully at MnDOT, MnDOA, the Executive branch, and the Minnesota Legislature.

53. AASHTO adopted a resolution of support of Connecting Minnesota on April 18, 1997 because of the profound nationwide impact that it will have on state transportation departments' ability to develop and finance intelligent transportation systems through innovative public-private shared resources agreements.

54. Connecting Minnesota was granted the 1998 Award for Creative Excellence by the National Association of State Directors of Administration and General Services in the Technology/Technology Application Category on August 4, 1998.

CONCLUSIONS OF LAW

1. The Agreement does not impair the police power and public policy discretion of the Minnesota Legislature.

2. The Agreement does not impair or eliminate the ability of the Commissioner of Transportation or his successor to fulfill any statutory obligations.

3. The State's contractual grant to ICS/UCN of access to freeway right of way for installation of fiber optic cable does not violate Minn. Stat. § 161.45 or Minn. Rule pt. 8810.3300 subp. 4.

4. The Agreement does not preclude consideration of applications of other fiber optic providers for access to the freeway under Minn. Stat. § 161.45 or Minn. Rule pt. 8810.3300.

5. The grant of freeway access to ICS under the Agreement does not exceed the authority of the Commissioners of Administration and Transportation.

6. The Guidelines and Policy on Procedures for Accommodation of Utilities on Highway Right of Way submitted by the Commissioner of Transportation to the Federal Highway Administration does not have the force and effect of law and does not create a legally enforceable right or obligation with regard to the plaintiffs.

7. The Agreement between the State of Minnesota by its Commissioner of Transportation and its Commissioner of Administration and ICS/UCN, LLC and Stone and Webster Engineering Corporation is a valid, legally binding contract, and is not void, of no force or effect, unauthorized, or contrary to public policy.

8. The Agreement does not illegally discriminate against other potential users of the freeway rights of way.

Based upon the above Findings of Fact and Conclusions of Law:

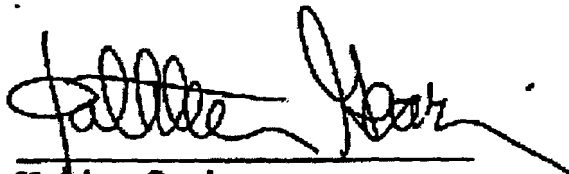
IT IS HEREBY ORDERED:

1. The Plaintiffs' complaint is dismissed in its entirety.

LET JUDGMENT BE ENTERED ACCORDINGLY.

Dated:

5-4-99



Kathleen Gearin
District Court Judge

MEMORANDUM

The Court rejected all of plaintiffs' arguments in this case. This allows the State of Minnesota to continue with the Connecting Minnesota project. This project is unique. It allows the State to obtain fiber optic cable services in exchange for exclusive access to its freeway rights of way. Access to these rights of way is sought after because the freeways directly connect major population areas, are secure, and allow the conduit owner easy maintenance.

Fiber optic cables are to our future as telephone lines were to our past. The State of Minnesota, its private citizens, and its business entities need to have telecommunications services in order to succeed in the twenty-first century. Government cannot cling to the traditional ways of purchasing services. It must maximize its human and physical resources. The legislature has recognized these truths by encouraging State agencies to share resources and to initiate public-private ventures.

The Departments of Transportation and Administration lawfully entered into an Agreement with the intervenor, ICS/UCN, LLC in order to procure fiber optic telecommunications services and facilities on state trunk highways and interstates. The services are being procured for the use of the MnDOT and other state agencies as well as public institutions such as libraries, colleges and courts. The plaintiffs have failed to sustain their burden of proving either that the State did anything illegal or that the Agreement is in any way unauthorized or contrary to any state law, rule, or constitutional provision. *Griswold v. Ramsey County*, 65 N.W.2d 647 (Minn. 1954). This joint venture became possible when the interstate rights of way became more accessible to the states in 1989.

In 1995, the Minnesota Legislature reaffirmed its intention that both the Commissioners of Administration and Transportation give priority to the reduction of spending of public monies while

at the same time using innovative practices to manage their respective departments. Act of May 30, 1995, ch. 248, Art. 11, secs. 2 and 12, 1995 Minn. Laws 2451 and 2458, codified as Minn. Stat. §§ 16B.04 subd. 4 and 174.02 subd. 1a. This legislation provides:

It is part of the department's mission that within the department's resources the commissioner shall endeavor to:

- (1) prevent the waste or unnecessary spending of public money;
- (2) use innovative fiscal and human resource practices to manage the state's resources and operate the department as efficiently as possible;
- (3) coordinate the department's activities wherever appropriate with the activities of other government agencies;
- (4) use technology where appropriate to increase agency productivity, improve customer service, increase public access to information about government, and increase public participation in the business of government.

The two commissioners were also authorized to combine their authorities in cooperative ventures. Minn. Stat. 471.59 (1998) provides:

"Subd. 1. Agreement. Two more governmental units, by agreement . . . may jointly or cooperatively exercise any powers common to the contracting parties or any similarly powers

Subd. 10. Notwithstanding the provisions of subdivision 1 requiring commonality of powers between parties to any agreement, the governing body of any governmental unit . . . may enter into agreements with any other governmental entity to perform on behalf of that unit any service or function which the governmental unit providing the service or function is authorized to provide for itself.

This legislation further expands the authority of each of the Commissioners to assist one another and share both their like and unlike responsibilities and authorities as was done in the joint venture of

Connecting Minnesota. The September 4, 1996 Memorandum of Agreement between the two commissioners demonstrates the intent of the parties to combine their powers and resources to accomplish the technological advances needed to fulfill their statutory responsibilities.

The Commissioner of Administration has authority for and jurisdiction over the State's telecommunications. MnDOA also has long-standing authority to utilize requests for proposals to acquire utility services where the proposal was the basis of a negotiated agreement. The Commissioner of Transportation has plenary power over the trunk highway system and its uses.

The two Commissioners have authority to combine their respective authorities in furtherance of their duties and responsibilities under the Joint Exercise of Powers Act. Minn. Stat. § 471.59. Both Commissioners have been legislatively directed, among other things, to reduce spending of state money, to use innovative practices to manage state resources, to coordinate activities with one another, and to use technology to improve customer service. Minn. Stat. §§ 16B.04 and 174.02 subd. 1a (1998). They chose to exercise this authority by creating the Connecting Minnesota project. The plaintiffs raised a plethora of challenges to this project. This Court believes that this type of project is legally allowable. The State used a valuable resource (interstate ROWs) to purchase, by barter, another valuable resource (fiber optic services). The fact that the plaintiffs, who are in competition with the intervenor and are unhappy with the terms of the Agreement and the choice of ICS/UCN, does not mean that the State has acted illegally.

K.G.

A handwritten signature in black ink, consisting of a series of loops and a vertical line, positioned to the right of the initials "K.G."